

CASE STUDY

KRISPY KREME DOUGHNUTS

## **Answer1: SWOT Analysis**

Krispy Kreme is an American company founded by Vernon Rudolph and is presently headquartered in Winston-Salem, North Carolina in the United States. The firm is famous for its wide variety of products that include different types of doughnuts, coffee and other items that people of the US considered as snack items. The history of the foundation of the firm can be traced back to the year 1933 when Rudolph brothers began to work for their uncle in the grocery store and opened a store of doughnuts in Paducah, Kentucky. Earlier the firm used to deliver their products for selling into various grocery stores, from where the customers used to purchase their items. As their sales increased, more and more customers demanded to have the fresh products and hence they opened their main store in Winston-Salem.

### SWOT Analysis

#### Strengths

The most important strength of the firm, Krispy Kreme Donuts or KKD, is that the firm is capable of manufacturing approximately 5.5 million doughnuts in a day that consists of more than 20 different varieties. The doughnuts manufactured by the firm is not only available in their store but are also readily available in any of the supermarkets, grocery stores, all types of convenience stores and gas stations. Moreover the firm operates in more than 23 foreign countries of the world and has more than 300 outlets in 40 different states of the country, the United States. Most of the products produced by the firm is made fresh for the day, which makes the quality and standard of the products higher among the others. The firm has been operating in the same way since 1938, for the last 81 years and have been able to build up as well as establish brand loyalty among its customers.

#### Weaknesses

One of the weakest points of the firm has been its most weak slogans. The firm has developed different slogans over these years, yet none of these have been recognizable so far. The company is lacking in promotional activities and have not engaged in advertising over these years. The company had advertise their products very seldom that leads to very less number of customers buying their products. Moreover, lack of promotional activities have not been able to spread and create brand images among the people in the international markets. The company has been producing the same flavors of doughnuts over these years and have not tried to expand their menu and food products.

### Opportunities

The company have full opportunity to expand their market in the United States as well as in the international markets. They can also work on expanding their menu and include more items and flavors of coffee as well as other eateries. Besides doughnuts, which is their main products, they can also make other types of desserts such as cakes. Along with coffee, which is normally a hot beverage, the company can also involve in making some cold beverages as well such as milk shakes and other types of milk products.

### Threats

The company produces the basic products and hence is having more number of competitors. The major competitors of the firm include Dunkin' Donuts, Panera, Starbucks and the local competitors as well, The price of the gasses are also rising every year that is affecting the consumers as well as the transport systems adversely. Presently, the people all over the world have become more health conscious. Due to this reason, the people are avoiding the intake of high calories, which comes from fried items and sweets.

## **Impact of Internal and External Environment on KKD**

The internal environment of a business comprises of certain factors within the country that has direct impact on the success as well as on the approach of operations. Unlike the external factors that cannot be controlled, KKD can control the factors present within the internal environment of the business. It is important for all organizations, including KKD to recognize the potential opportunities as well as the threats that are lying outside the organization. The role of the leaders within the company is one of the most important internal factors. The style of leadership and management styles have a deep impact on the culture of the organization.

The external environment of KKD, includes a variety of factors the existence of which have been influencing the behaviour as well as the performance of the organization. The actions of the factors can either be direct or indirect and the analysis is carried on in two different contexts: meso and macro environments. The tests and the results that have been developed at this level points out the opportunities and the threats of the organization and the firm is capable of taking up adequate and accurate actions.

## **Answer2: Porter's Five Forces Model**

The Porter's Five Forces analysis is a tool that helps in analysing competition of a particular business. It takes into account the economics of the industrial organizations in order to derive the forces that helps in determining the intensity of competitiveness and hence the attractiveness of the company in terms of profitability. The five forces consist of different factors that help in determining the position of the firm within the industry. These include the power of the new entrants within the industry, bargaining power of the customers as well as the suppliers of the firm, the competitors of the firm and the substitutes that is existing within the industry. The five forces analysis for the firm Krispy Kreme Donuts are as follows:

Rivalry among the external competitors

A large number of the competitors of the firm in the industry have been found to compete for the same customers. Coffee chains such as Starbucks and Costa are all competing among each other to establish themselves as the most prominent stores having the same goals. There is limitation in the differentiation of the products by the name and the brand as well as the ambience of the stores. The customers are also having problems in switching their choices among the brands, resulting in wars among the setting of prices. The growth of the market is static in nature that is capable enough of promoting fierce fighting in the shares of the market. Moreover, there is saturation in the competition due to limited number of prime locations that are readily available for opening out new outlets (Thiruvankatasamy and Jayakumar 2013). The smaller chains have to pay a very small amount of token as the premium and do settle down in those sites that are less desirable by the famous brands and the case is simply the opposite to these.

#### Bargaining power of the customers and the suppliers

The bargaining power of the customers or the buyers are fragmented and numerous, indicating low power of the buyers. The powers of the suppliers are vertically integrated to the business and includes only a few commodities as well as raw ingredients. There are a lot of suppliers that the firm can choose from and the switching cost is also very low.

#### Threat of new entrants

The requirements of capital for opening up individual stores are quite low. However, the new entrants who are wishing to compete in the similar fashion along with the national stores, channels of distribution, advertising and development of brand equity have to face more requirements of capital in order to gain the share in the market.

#### Threat of substitutes

Although a customer have the power as well as the option to choose from multiple substitute such as desserts, pastries and different types of drinks, the specialty eateries are based on convenience and opportunity. Musty of the people have to purchase from these speciality eateries especially they are travelling or are engaged in shopping and meeting people. Due to these facts most of the stores of these eateries are located in the congested areas, where there are more people such as near the railway stations, business districts and shopping areas (Pavani 2014). Other substitutes of the firm come from the restaurants that provide full menus and other fast food outlets that are not connected to the supermarkets.

### **Answer3: Strategies to respond to the external forces**

The businesses do not have any kind of control to the external factors of the environment but has the capacity to effectively respond to the changes in the environment. The strategies that help an organization including the firm, KKD are the political, economic, social, technological and legal factors. Like laws of a nation, the changes that are brought about in the country with the influence of the policies established by the government (Kaltwasser and Taggart 2016). The policies have either a positive or a negative effect on the functioning of the organization. The conditions that are prevailing in the nation where the firm is in operation will have an effects on the purchasing and spending patterns of the citizens. The countries where there are higher levels of rate of interest and those having more number of unemployed citizens are eventually to spend less over the branded products.

There is constant changes in the nature of the population in a particular country and area. Some of these include increased in the population of the elderly people, number of two-income families, the age at which people are ready to getting married and have their families. All these factors influence heavily on the business of the firm. The changes in the technology has become rapid in the last few years that has been responsible to exert great pressure over

the business (Grant 2016). The policies of taxation of the goods and services is one of the major changes that affects a business. There are times when the changes in the policies of taxation occurs with little or no prior warning. Other laws that affect business include the workplace health and safety, industrial relations, laws related to consumer protection and environmental safety.

#### **Answer4: Strategies responding to the internal forces**

The most important aspects of internal environment of an organization have a great impact on the well-being of the business. Generally, the strategic planning processes examines the strengths and weaknesses of the organization and it is most likely that the discussion centres on the relative strengths of the factors of the internal environment (Yılmaz, D. and Kılıçoğlu 2013). The most important strategies include management of the human resources, organizational culture, the structure of the organization, the processes involved in decision making and the financial strengths of the business. The knowledge, capability and experiences of the workforce an organization determines the success rate of the organization.

The culture of the organization is another important factor in the success of the business. The attitudes of the staffs as well as the volunteers and their ability to go into extra miles provides significant differences in the success of the company. Most of the businesses and organizations are impeded by the structures they have, constitution and the forms of governance. It is the most essential aspect that the work requires to carry out the mission as is usually divide among the human resources of the business. The financial strengths of the business is the most important that influences the internal environment of the firm. Despite the other factors of the organization being very good, the short of capital for nay business acts as a barrier to the process of growth and expansion.

### **Answer5: Strategic options relevant to the company**

The firm should at first involve in maintaining the level of satisfaction of the customers. This can be done by keeping the requests of the customers with regards to their products. Secondly, the organization should involve in serving the communities of the countries they are operating into. This will help the communities as well as the business as most of the customer will like to involve in serving the peiop0l of their country, especially who are in extreme needs. Thirdly, the organization needed to pay heed to the management of the environment. They should use more biodegradable products while they are delivering their products to the customers with and outside the US so that there is less harm to the environment.

### **Answer6: Recommendations**

The business of KKD has an opportunity to expand their business in other countries of the world so that they can have more customers. The business at first should involve themselves in solving and fulfilling the requirements of the customers. Presently, most of the people of the world are health conscious and are cutting down consumption of calories. Making the products more healthy will satisfy the customers of the firm, KKD and will also attract more customers.

### **Answer7: Strategic objectives to be achieved by KKD**

In order to formulate an effective strategic planning for the next five years, the firm should at first select a strategic management framework. This will take into account four different perspectives of the success of the organization- financial, internal processes, customers and learning and growth into consideration. The firm needs to redevelop the vision as well as the mission statement. Furthermore, the firm needs to develop the objectives of the firm more



clearly. They should take into account the strategies of satisfaction of the customers as well as improving the quality of the environment in which the firm is operating.

### **Answer8: Mission and Vision Statement**

#### Mission

The mission of the firm, KKD is to touch as well as enhance the lives of the people through the joy of the delicious taste of the products.

#### Vision

The vision of the firm, Krispy Kreme Donuts is to become the worldwide leader in sharing the deliciousness of the taste of the doughnuts as well as to create joyful memories among the customers.

### **Answer9: Stakeholders of KKD**

Stake holders are different group of people who are interested in the operations of a business. The shareholder of any company is considered as the prominent group of stakeholders. Besides, the shareholders, the customers, communities, employees and business partners are other groups of stakeholders that have more influence in the growth and development of a business.

#### Shareholders

Traditionally, the shareholders were given the most attention as they owned the ownership of the shares of the company. Maximization of the profits of the shareholders has been of prime focus of the corporate governance.

#### Customers and Community

The firm in discussion, KKD is more obsessed to build up long term relationships with their customers and the communities they are expanding their businesses. Ethical responsibility towards the customers as well as giving back to the community in terms of donations and further involvement is considered the most important in the firm.

### Employees

The employees of KKD include the managers of the individual stores located at different locations in the United States. The team managers of different departments of the stores as well as the people serving the customers regularly are also a part of the employees of the firm. Besides, the managers and others solving the problems of the customers and the franchise holders of the different nations of the world also form the group of employees of the firm.

### Business Partners

The firm, KKD completely relies upon their partners for the growth and development of their businesses. The business partners provide the best values to their customers. The retailers have eventually become reliant upon the strong relationship with their suppliers so that the latter provides the best quality of goods and raw materials to the firm at the optimal price that their customers are more likely to afford. The partners involved in the management of supply chains often have to collaborate on transportation as well as on the logistics, processes involved in distribution and preservation of the environment.

### **Role of the Stakeholders**

The stakeholders usually acts as the investors in the business of the firm in discussion Krispy Kreme Donuts. They are highly involved in the success of the organization. The most common role of the stakeholders is take decisions for the betterment of the businesses. The process involves making of decisions by the board of directors that usually comprises of high

ranking executives and the outsiders who are holding a large amount of equities of the company. Stakeholders help in the management of the overall functions of the organization. They have the power and eligibility to control and manage the functioning of different departments such as the human resource, or research and development. There are certain stakeholders who act as the investors of the business and will either increase or decrease their investment according to the financial position of the business. Ideally these stakeholders act as guardian angels towards the firm and help the firm to change their policies and strategies as and when required.

### **Answer10: Effective Communication Strategies**

The process of effective communication is the most important in achieving the goals and objectives of the organization. It is involved in creation of the products, delivery of the services to the customers, engagement of the different stakeholders associated with the organization as well as handling the different types of vendors. The process of communication involves all the members of the organization and works collectively towards achieving the common goals of the firm.

#### **Being Direct and to-the-point**

The managers and other officers who are communicating about the different types of works with an organization should always keep their words short and simple (Lee and Oh 2014). The communication must not include double meaning words and sentences, fluffy and fancy words and abusive languages.

#### **Delivery of extremely important news personally**

Whether the news is extremely good or bad for the firm, the managers and the higher officials should deliver the news to the employees and other stakeholders personally. This will help in maintaining the reputation of the business and the firm. All the facts and news

that are related to the company should not be conducted by means of secondary methods such as the emails and newsletters, instead the managers and the CEO of the company should take it upon themselves personally.

#### Delivery of quick and updated information

It is the most amazing fact about the quick and time information to be spread around a firm before they are officially released by the other sources such as media (Goetsch and Davis 2014). The use of media in delivering certain information about the firm ends up being completely changed. Hence, it is the best that the updates and other information about the company that are essential to operate should be delivered quickly.



## References

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